# REPORT OF THE AUDIT OF THE METCALFE COUNTY SHERIFF'S SETTLEMENT - 2003 TAXES

**April 26, 2004** 



### CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

www.auditor.ky.gov

105 SEA HERO ROAD, SUITE 2 FRANKFORT, KY 40601-5404 TELEPHONE 502.573.0050 FACSIMILE 502.573.0067



### CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Don Butler II, Metcalfe County Judge/Executive
Honorable Rondal Shirley, Metcalfe County Sheriff
Members of the Metcalfe County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the Metcalfe County Sheriff's Settlement - 2003 Taxes as of April 26, 2004.

We engaged Stephens & Lawson, P.S.C. to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, P.S.C. evaluated the Metcalfe County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

Enclosure



# REPORT OF THE AUDIT OF THE METCALFE COUNTY SHERIFF'S SETTLEMENT - 2003 TAXES

**April 26, 2004** 



#### **EXECUTIVE SUMMARY**

## AUDIT EXAMINATION OF THE METCALFE COUNTY SHERIFF'S SETTLEMENT - 2003 TAXES

#### **April 26, 2004**

Stephens & Lawson, P.S.C. has completed the audit of the Sheriff's Settlement - 2003 Taxes for Metcalfe County Sheriff as of April 26, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

The Sheriff collected taxes of \$1,980,088 for the districts for 2003 taxes, retaining commissions of \$81,934 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,897,214 to the districts for 2003 Taxes. Refunds of \$364 are due to the Sheriff from the taxing districts.

#### **Report Comment:**

• Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u> PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2003 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	)
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL	
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL	
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Don Butler II, Metcalfe County Judge/Executive
Honorable Rondal Shirley, Metcalfe County Sheriff
Members of the Metcalfe County Fiscal Court

#### Independent Auditor's Report

We have audited the Metcalfe County Sheriff's Settlement - 2003 Taxes as of April 26, 2004. This tax settlement is the responsibility of the Metcalfe County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Metcalfe County Sheriff's taxes charged, credited, and paid as of April 26, 2004, in conformity with the modified cash basis of accounting.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 16, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Don Butler II, Metcalfe County Judge/Executive
Honorable Rondal Shirley, Metcalfe County Sheriff
Members of the Metcalfe County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

• Lacks Adequate Segregation of Duties

Respectfully submitted,

Stephens & Lawson, P.S.C. Stephens & Lawson, P.S.C.

Audit fieldwork completed -November 16, 2004

#### METCALFE COUNTY RONDAL SHIRLEY, COUNTY SHERIFF SHERIFF'S SETTLEMENT - 2003 TAXES

#### April 26, 2004

Special

Charges         County Taxes         Taxing Districts         School Taxes         State Taxes           Real Estate         \$ 143,557         \$ 317,112         \$ 790,637         \$ 284,972           Tangible Personal Property         8,406         23,913         37,727         156,347           Intangible Personal Property         1,523         ************************************		Special							
Tangible Personal Property Intangible Personal Property Fire Protection         8,406         23,913         37,727         156,347           Fire Protection         1,523         10,290           Franchise Corporation         33,180         69,831         159,756           Additional Billings         1         3         7         3           Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (11,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         5         114,607         \$ 35,966	Charges	Cou	inty Taxes	Taxi	ng Districts	Sch	nool Taxes	Sta	ate Taxes
Tangible Personal Property Intangible Personal Property Fire Protection         8,406         23,913         37,727         156,347           Franchise Corporation         1,523         10,290           Franchise Corporation         33,180         69,831         159,756           Additional Billings         1         3         7         3           Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         5         114,607         \$ 35,966	Dool Estato	¢	1/2 557	4	217 112	Φ	700 627	Φ	284 072
Intangible Personal Property   Fire Protection		Ф		Ф		Ф		Ф	
Fire Protection         1,523           Franchise Corporation         33,180         69,831         159,756           Additional Billings         1         3         7         3           Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Taxes Collected         \$ 181,518         399,501         960,220         \$ 438,849           Less: Commi			0,400		23,913		31,121		
Franchise Corporation         33,180         69,831         159,756           Additional Billings         1         3         7         3           Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584 <t< td=""><td></td><td></td><td>1 502</td><td></td><td></td><td></td><td></td><td></td><td>10,290</td></t<>			1 502						10,290
Additional Billings         1         3         7         3           Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$			,		60.021		150 756		
Oil and Gas Property Taxes         523         1,155         2,879         1,038           Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Exonerations           Liput State           1,901         4,275         10,243         6,631           Delinquents:         1,901         4,275         10,243         6,631           Delinquents:         8         1,901         4,275         10,243         6,631           Delinquents:         8         1,901         4,275         10,243         6,631           Delinquents:         8         1,901         4,275         10,243         6,631           Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Taxes Col	-								2
Penalties         1,485         3,251         8,085         3,093           Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,503           Refunds Querent and Prior Ye	_		_				•		_
Adjusted to Sheriff's Receipt         (540)         (1,157)         (2,905)         (1,065)           Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,503           Refunds (Current and Prior Year)         108         228         524         444									
Gross Chargeable to Sheriff         \$ 188,135         \$ 414,108         \$ 996,186         \$ 454,678           Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         ***									
Credits           Exonerations         \$ 1,124         \$ 2,469         \$ 6,151         \$ 2,210           Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444	Adjusted to Sheriff's Receipt		(540)		(1,157)		(2,905)		(1,065)
Exonerations       \$ 1,124       \$ 2,469       \$ 6,151       \$ 2,210         Discounts       1,901       4,275       10,243       6,631         Delinquents:       Real Estate       3,496       7,661       19,100       6,884         Tangible Personal Property       30       62       136       81         Oil Tax       12       26       64       23         Uncollected Franchise       54       114       272         Total Credits       \$ 6,617       \$ 14,607       \$ 35,966       \$ 15,829         Taxes Collected       \$ 181,518       \$ 399,501       \$ 960,220       \$ 438,849         Less: Commissions *       8,002       16,584       38,409       18,939         Taxes Due       \$ 173,516       \$ 382,917       \$ 921,811       \$ 419,910         Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Gross Chargeable to Sheriff	\$	188,135	\$	414,108	\$	996,186	\$	454,678
Discounts         1,901         4,275         10,243         6,631           Delinquents:         Real Estate         3,496         7,661         19,100         6,884           Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$6,617         \$14,607         \$35,966         \$15,829           Taxes Collected         \$181,518         \$399,501         \$960,220         \$438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$173,516         \$382,917         \$921,811         \$419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	<u>Credits</u>								
Delinquents:         Real Estate       3,496       7,661       19,100       6,884         Tangible Personal Property       30       62       136       81         Oil Tax       12       26       64       23         Uncollected Franchise       54       114       272       27         Total Credits       \$ 6,617       \$ 14,607       \$ 35,966       \$ 15,829         Taxes Collected       \$ 181,518       \$ 399,501       \$ 960,220       \$ 438,849         Less: Commissions *       8,002       16,584       38,409       18,939         Taxes Due       \$ 173,516       \$ 382,917       \$ 921,811       \$ 419,910         Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       ***	Exonerations	\$	1,124	\$	2,469	\$	6,151	\$	2,210
Real Estate       3,496       7,661       19,100       6,884         Tangible Personal Property       30       62       136       81         Oil Tax       12       26       64       23         Uncollected Franchise       54       114       272       272         Total Credits       \$ 6,617       \$ 14,607       \$ 35,966       \$ 15,829         Taxes Collected       \$ 181,518       \$ 399,501       \$ 960,220       \$ 438,849         Less: Commissions *       8,002       16,584       38,409       18,939         Taxes Due       \$ 173,516       \$ 382,917       \$ 921,811       \$ 419,910         Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Discounts		1,901		4,275		10,243		6,631
Tangible Personal Property         30         62         136         81           Oil Tax         12         26         64         23           Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	Delinquents:								
Oil Tax       12       26       64       23         Uncollected Franchise       54       114       272         Total Credits       \$ 6,617       \$ 14,607       \$ 35,966       \$ 15,829         Taxes Collected       \$ 181,518       \$ 399,501       \$ 960,220       \$ 438,849         Less: Commissions *       8,002       16,584       38,409       18,939         Taxes Due       \$ 173,516       \$ 382,917       \$ 921,811       \$ 419,910         Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Real Estate		3,496		7,661		19,100		6,884
Uncollected Franchise         54         114         272           Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	Tangible Personal Property		30		62		136		81
Total Credits         \$ 6,617         \$ 14,607         \$ 35,966         \$ 15,829           Taxes Collected         \$ 181,518         \$ 399,501         \$ 960,220         \$ 438,849           Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	Oil Tax		12		26		64		23
Taxes Collected       \$ 181,518       \$ 399,501       \$ 960,220       \$ 438,849         Less: Commissions *       8,002       16,584       38,409       18,939         Taxes Due       \$ 173,516       \$ 382,917       \$ 921,811       \$ 419,910         Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Uncollected Franchise		54		114		272		
Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	Total Credits	\$	6,617	\$	14,607	\$	35,966	\$	15,829
Less: Commissions *         8,002         16,584         38,409         18,939           Taxes Due         \$ 173,516         \$ 382,917         \$ 921,811         \$ 419,910           Taxes Paid         173,501         382,832         921,378         419,503           Refunds (Current and Prior Year)         108         228         524         444           Refunds Due Sheriff         **	Taxes Collected	\$	181,518	\$	399,501	\$	960.220	\$	438.849
Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Less: Commissions *								
Taxes Paid       173,501       382,832       921,378       419,503         Refunds (Current and Prior Year)       108       228       524       444         Refunds Due Sheriff       **	Taxes Due	\$	173,516	\$	382,917	\$	921.811	\$	419.910
Refunds (Current and Prior Year) 108 228 524 444  Refunds Due Sheriff **						·		·	
Retuines Due Sheriii									
	Refunds Due Sheriff				**				
		\$	(93)	\$	(143)	\$	(91)	\$	(37)

<sup>\*</sup> and \*\* See next page

METCALFE COUNTY RONDAL SHIRLEY, COUNTY SHERIFF SHERIFF'S SETTLEMENT - 2003 TAXES April 26, 2004 (Continued)

	•	•	
*Comn	110	CIA	nc.
Comm	цэ	o	пэ.

10% on	\$ 10,000
4.25% on	\$ 851,971
4% on	\$ 1,118,118
** Special Taxing Districts:	
Library District	(51)
Ambulance District	(15)
Extension District	(69)
Soil Conservation District	 (8)
Refunds Due Sheriff	 (143)

#### METCALFE COUNTY NOTES TO FINANCIAL STATEMENT

April 26, 2004

#### Note 1. Summary of Significant Accounting Policies

#### A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

#### B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

#### C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

#### Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 26, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

METCALFE COUNTY NOTES TO FINANCIAL STATEMENT April 26, 2004 (Continued)

#### Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 2003 through April 26, 2004.

#### Note 4. Interest Income

The Metcalfe County Sheriff earned \$741 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of November 16, 2004, the Sheriff was owed \$25 in interest from the school district and owed \$55 in interest to his fee account.

#### Note 5. Sheriff's 10% Add-On Fee

The Metcalfe County Sheriff collected \$10,677 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

#### Note 6. Advertising Costs And Fees

The Metcalfe County Sheriff collected \$423 of advertising costs and \$1,295 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to his fee account as his office paid the advertising costs; the advertising fees will be used to operate the Sheriff's office. As of November 16, 2004, the Sheriff owed \$200 in advertising costs to his fee account.



#### METCALFE COUNTY RONDAL SHIRLEY, COUNTY SHERIFF COMMENT AND RECOMMENDATION

As of April 26, 2004

#### INTERNAL CONTROL - MATERIAL WEAKNESSES:

#### **Lacks Adequate Segregation Of Duties**

We noted the lack of adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties. While we acknowledge these restrictions placed on the Sheriff's office, we have found that primarily one person is responsible for all of the accounting functions of the office. We recommend that the Sheriff or someone else periodically review this work in order to create compensating controls to help offset this internal control weakness.

Sheriff's Response:

None.

#### PRIOR YEAR:

The Sheriff's office had a lack of adequate segregation of duties that was not corrected.



# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable Don Butler II, Metcalfe County Judge/Executive The Honorable Rondal Shirley, Metcalfe County Sheriff Members of the Metcalfe County Fiscal Court

> Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Metcalfe County Sheriff's Settlement - 2003 Taxes as of April 26, 2004, and have issued our report thereon dated November 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Sheriff's Settlement - 2003 Taxes as of April 26, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing</u> Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

• Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards (Continued)

#### Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described on the prior page to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Stephens & Lawson, P.S.C.
Stephens & Lawson, P.S.C.

Audit fieldwork completed - November 16, 2004